

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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Lewis Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
Don Christensen	President	2007
Dorene Scheffel	Vice President	2006
Scott Charleson	Board Member	2006
Daryl Weilage	Board Member	2006
Bob Mundt	Board Member	2007
Amie Adkins-Studer	Board Member	2008
Daniel Feller	Board Member	2008
Board of Education		
(After September 2006 Election)		
Don Christensen	President (Resigned)	2007
Dorene Scheffel	President	2009
Daryl Weilage	Vice President	2009
Bob Mundt	Board Member	2007
Daniel Feller	Board Member	2008
Amie Adkins-Studer	Board Member	2008
Scott Charleson	Board Member	2009
Robert Hendrix	Board Member (Appointed)	2007
School Officials		
Mark Schweer	Superintendent	2007
Art Hill	District Secretary/Treasurer and Business Manager	2007
Brian Gruhn	Attorney	2007

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Lewis Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lewis Central Community School District, Council Bluffs, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lewis Central Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 2, 2008 on our consideration of the Lewis Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lewis Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (which none are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 2, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lewis Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- The District's total net assets for governmental activities were \$14,169,492 at June 30, 2007 compared to \$11,598,163 at June 30, 2006, an increase of 22.17%.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$2,384,969 or 10.81% of total General Fund revenues compared to prior years unreserved fund balance of \$2,643,137 or 13.22% of total General Fund revenues.
- General Fund revenues increased from \$19,991,401 in fiscal 2006 to \$22,057,470 in fiscal 2007, while General Fund expenditures and transfers out increased from \$20,240,724 in fiscal 2006 to \$22,201,317 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$2,651,718 in fiscal 2006 to a balance of \$2,507,871 in fiscal 2007, a 5.42% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the instruction functional area.
- October 2006 Certified Enrollment count resulted in a decrease of 59.3 students, representing a 2.32% decrease compared to the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lewis Central Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lewis Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lewis Central Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Lewis Central Community School District Annual Financial Report

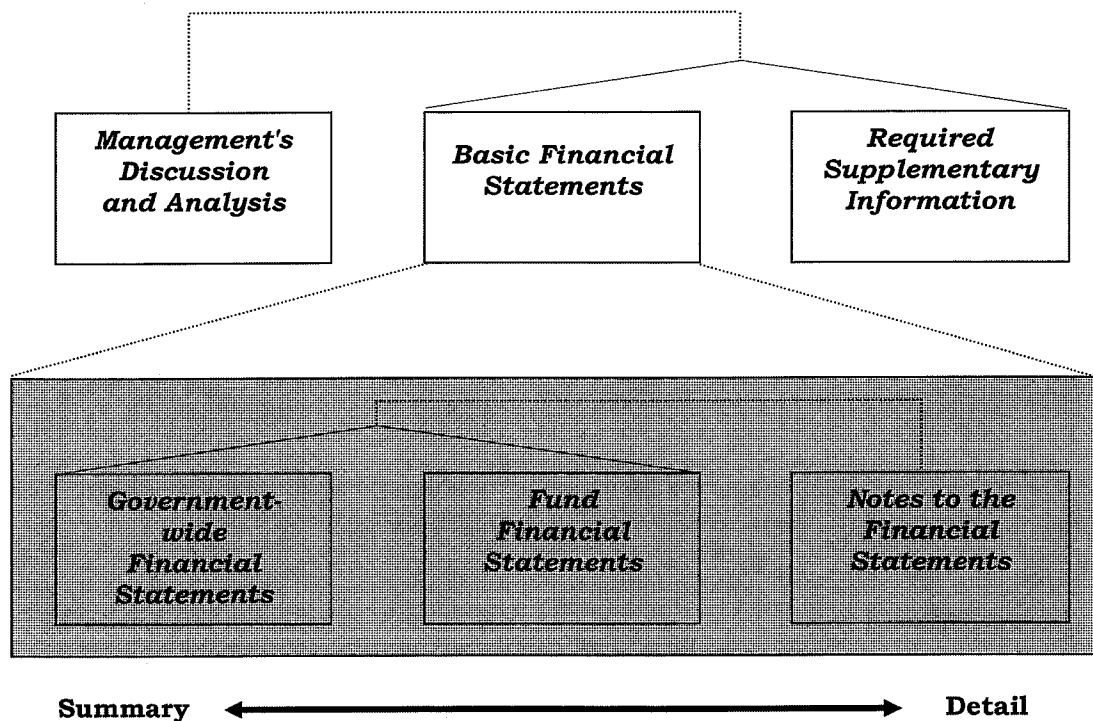


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Lucky Children Day Care Fund and the Swimming Pool Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain revenue collected for District employee purchases and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 19,879,716	22,671,722	269,072	252,415	20,148,788	22,924,137	-12.11%
Capital assets	28,071,696	24,318,949	342,431	389,484	28,414,127	24,708,433	15.00%
Total assets	47,951,412	46,990,671	611,503	641,899	48,562,915	47,632,570	1.95%
Long-term obligations	23,323,258	25,711,721	0	0	23,323,258	25,711,721	-9.29%
Other liabilities	10,458,662	9,680,787	44,126	40,948	10,502,788	9,721,735	8.03%
Total liabilities	33,781,920	35,392,508	44,126	40,948	33,826,046	35,433,456	-4.54%
Net assets:							
Invested in capital assets, net of related debt	8,542,148	8,414,203	342,431	389,484	8,884,579	8,803,687	0.92%
Restricted	2,967,899	539,649	0	0	2,967,899	539,649	449.97%
Unrestricted	2,659,445	2,644,311	224,946	211,467	2,884,391	2,855,778	1.00%
Total net assets	\$ 14,169,492	11,598,163	567,377	600,951	14,736,869	12,199,114	20.80%

The District's combined net assets increased by 20.80%, or \$2,537,755, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$2,428,250, or 449.97% over the prior year. The increase was primarily a result of the District's increase in the fund balance in the Physical Plant and Equipment Levy Fund balance and reclassification of restricted funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$28,613, or 1.00%. This increase in unrestricted net assets was primarily a result the District's increase in income surtax receivable in the General fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Table 2
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 2,829,806	2,768,714	995,755	955,801	3,825,561	3,724,515	2.71%
Operating grants and contributions and restricted interest	3,127,521	2,621,484	515,262	496,010	3,642,783	3,117,494	16.85%
General revenues:							
Property taxes	9,128,217	8,310,178	0	0	9,128,217	8,310,178	9.84%
Income surtax	569,502	242,999	0	0	569,502	242,999	134.36%
Local option sales and services tax	2,008,610	2,111,834	0	0	2,008,610	2,111,834	-4.89%
Unrestricted state grants	9,267,375	8,631,036	0	0	9,267,375	8,631,036	7.37%
Other	813,308	285,996	21,118	10,648	834,426	296,644	181.29%
Total revenues	27,744,339	24,972,241	1,532,135	1,462,459	29,276,474	26,434,700	10.75%
Program expenses:							
Governmental activities:							
Instructional	15,478,616	14,287,217	20,479	21,550	15,499,095	14,308,767	8.32%
Support services	6,993,579	6,399,591	953	603	6,994,532	6,400,194	9.29%
Non-instructional programs	0	0	1,544,277	1,458,654	1,544,277	1,458,654	5.87%
Other expenses	2,699,129	2,525,701	0	0	2,699,129	2,525,701	6.87%
Total expenses	25,171,324	23,212,509	1,565,709	1,480,807	26,737,033	24,693,316	8.28%
Excess(deficiency) of revenues over(under) expenses	2,573,015	1,759,732	(33,574)	(18,348)	2,539,441	1,741,384	45.83%
Transfers	(1,686)	0	0	0	(1,686)	0	-100.00%
Changes in net assets	2,571,329	1,759,732	(33,574)	(18,348)	2,537,755	1,741,384	45.73%
Beginning net assets	11,598,163	9,838,431	600,951	619,299	12,199,114	10,457,730	16.65%
Ending net assets	\$ 14,169,492	11,598,163	567,377	600,951	14,736,869	12,199,114	20.80%

In fiscal 2007, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 75.60% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.62% of the revenue from business type activities.

The District's total revenues were approximately \$29.3 million of which \$27.8 million was for governmental activities and less than \$1.5 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.75% increase in revenues and a 8.28% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits, as well as increases in utilities and transportation costs.

Governmental Activities

Revenues for governmental activities were \$27,744,339 and expenses and transfers were \$25,173,010.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Table 3 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 15,478,616	14,287,217	8.34%	10,369,154	9,637,173	7.60%
Support services	6,993,579	6,399,591	9.28%	6,947,159	6,376,420	8.95%
Other expenses	2,699,129	2,525,701	6.87%	1,897,684	1,808,718	4.92%
Totals	\$ 25,171,324	23,212,509	8.44%	19,213,997	17,822,311	7.81%

- The cost financed by users of the District's programs was \$2,829,806.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,127,521.
- The net cost of governmental activities was financed with \$9,128,217 in property tax, \$569,502 in income surtax, \$2,008,610 in local option sales and services tax, \$9,267,375 in unrestricted state grants, \$611,466 in unrestricted investment earnings, \$201,842 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$1,532,135 and expenses were \$1,565,709. The District's business-type activities include the School Nutrition Fund, Lucky Children Day Care Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Lewis Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$9,031,598, below last year's ending fund balances of \$12,944,722. The primary reason for the decrease in combined fund balances in fiscal 2007 is due to the increase in capital outlay in the Capital Projects Fund.

Governmental Fund Highlights

- The District's lower General Fund financial position is the result of many factors. Overall, District revenues for fiscal 2007 increased 10.33%, or \$2,066,068, as compared to one year ago to \$22,057,470. The expenses and transfers increased by 9.69%, or \$1,960,593, as compared to one year ago to \$22,201,317. The General Fund balance decreased \$143,847.

-
- The Physical Plant and Equipment Levy Fund balance increased from \$946,859 in fiscal 2006 to \$1,216,483 in fiscal 2007. The increase is due to less capital outlay expenditures and additional property tax revenues compared to prior year.
 - The Capital Projects Fund balance decreased from \$8,051,620 in fiscal 2006 to \$3,804,421 in fiscal 2007. This is due to the increase in construction projects.
 - The Debt Service Fund balance increased from \$1,212,762 in fiscal 2006 to \$1,269,409 in fiscal 2007. The increase is due to normal debt transactions through the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$520,548 at June 30, 2006 to \$466,519 at June 30, 2007, representing a decrease of 10.38%. This was due to increased costs of providing lunches and revenues remaining comparable to last year. The Lucky Children Day Care Fund net assets increased from \$80,623 at June 30, 2006 to \$99,159 at June 30, 2007, representing an increase of 22.99%. The Swimming Pool Fund net assets increased from a deficit \$220 at June 30, 2006 to \$1,699 at June 30, 2007, representing an increase of 827.27%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$189,953 less than budgeted revenues, a variance of .65%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$28,414,127, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,042,697.

The original cost of the District's capital assets was \$47.0 million. Governmental funds account for \$46.2 million with the remainder of \$0.8 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$4,275,013 at June 30, 2007, compared to \$557,738 reported at June 30, 2006. This increase resulted from the construction projects that were not completed at year end.

Table 4
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 500,000	500,000	0	0	500,000	500,000	0.00%
Construction in progress	4,275,013	557,738	0	0	4,275,013	557,738	666.49%
Buildings and improvements	22,699,987	22,449,304	0	0	22,699,987	22,449,304	1.12%
Machinery and equipment	596,696	811,907	342,431	389,484	939,127	1,201,391	-21.83%
Total	\$ 28,071,696	24,318,949	342,431	389,484	28,414,127	24,708,433	15.00%

Long-Term Debt

At June 30, 2007, the District had \$23,323,258 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 9.29% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$14,350,000 at June 30, 2007.

The District had total outstanding revenue bonded indebtedness of \$8,451,123 at June 30, 2007.

The District had total outstanding compensated absences payable from the General Fund of \$114,980 at June 30, 2007.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$25,383 at June 30, 2007.

Table 5
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
General obligation bonds	\$ 14,350,000	15,110,000	-5.03%
Revenue bonds	8,451,123	9,899,220	-14.63%
School bus lease	381,772	558,858	-31.69%
Compensated absences	114,980	103,882	10.68%
Early retirement	25,383	39,561	-35.84%
Totals	\$ 23,323,258	25,711,521	-9.29%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District expects a steady student enrollment over the next several years. This is crucial due to the Iowa school funding formula based in part upon student enrollment.
- A projected 4% increase in allowable growth will allow the District additional state funding in fiscal year 2008.

-
- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Art Hill, Board Secretary, Lewis Central Community School District, 1600 East South Omaha Bridge Road, Council Bluffs, Iowa, 51503.

BASIC FINANCIAL STATEMENTS

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 9,369,797	240,607	9,610,404
Receivables:			
Property tax:			
Succeeding year	9,548,798	0	9,548,798
Income surtax	514,689	0	514,689
Accounts	0	2,348	2,348
Due from other governments	418,688	0	418,688
Inventories	0	26,117	26,117
Prepaid items	27,744	0	27,744
Capital assets, net of accumulated depreciation(Note 5)	28,071,696	342,431	28,414,127
TOTAL ASSETS	47,951,412	611,503	48,562,915
LIABILITIES			
Accounts payable	784,631	476	785,107
Salaries and benefits payable	0	30,598	30,598
Interest payable	125,233	0	125,233
Deferred revenue:			
Succeeding year property tax	9,548,798	0	9,548,798
Unearned revenue	0	13,052	13,052
Long-term liabilities(Note 6):			
Portion due within one year:			
G.O. bonds payable	785,000	0	785,000
Revenue bonds payable	1,514,321	0	1,514,321
School bus lease payable	120,524	0	120,524
Compensated absences payable	114,980	0	114,980
Early retirement payable	25,383	0	25,383
Portion due after one year:			
G.O. bonds payable	13,565,000	0	13,565,000
Revenue bonds payable	6,936,802	0	6,936,802
School bus lease payable	261,248	0	261,248
TOTAL LIABILITIES	33,781,920	44,126	33,826,046
NET ASSETS			
Invested in capital assets, net of related debt	8,542,148	342,431	8,884,579
Restricted for:			
Debt service	1,269,409	0	1,269,409
Talented and gifted	23,127	0	23,127
Salary improvement program	3,349	0	3,349
Additional teacher contract day	2,760	0	2,760
Additional salary, professional development	28,153	0	28,153
Market factor	17,294	0	17,294
Early intervention	48,219	0	48,219
Capital projects	151,074	0	151,074
Management levy	183,264	0	183,264
Physical plant and equipment levy	1,216,483	0	1,216,483
Other special revenue purposes	24,767	0	24,767
Unrestricted	2,659,445	224,946	2,884,391
TOTAL NET ASSETS	\$ 14,169,492	567,377	14,736,869

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 10,356,160	1,943,821	2,065,467	(6,346,872)	0	(6,346,872)
Special instruction	2,635,120	464,899	148,446	(2,021,775)	0	(2,021,775)
Other instruction	2,487,336	421,086	65,743	(2,000,507)	0	(2,000,507)
	<u>15,478,616</u>	<u>2,829,806</u>	<u>2,279,656</u>	<u>(10,369,154)</u>	<u>0</u>	<u>(10,369,154)</u>
Support services:						
Student services	486,726	0	0	(486,726)	0	(486,726)
Instructional staff services	1,022,839	0	0	(1,022,839)	0	(1,022,839)
Administration services	1,755,956	0	0	(1,755,956)	0	(1,755,956)
Operation and maintenance of plant services	2,752,352	0	0	(2,752,352)	0	(2,752,352)
Transportation services	975,706	0	46,420	(929,286)	0	(929,286)
	<u>6,993,579</u>	<u>0</u>	<u>46,420</u>	<u>(6,947,159)</u>	<u>0</u>	<u>(6,947,159)</u>
Other expenses:						
Facilities acquisitions	148,674	0	0	(148,674)	0	(148,674)
Long-term debt interest	991,370	0	0	(991,370)	0	(991,370)
AEA flowthrough	801,445	0	801,445	0	0	0
Depreciation(unallocated)*	757,640	0	0	(757,640)	0	(757,640)
	<u>2,699,129</u>	<u>0</u>	<u>801,445</u>	<u>(1,897,684)</u>	<u>0</u>	<u>(1,897,684)</u>
Total governmental activities	25,171,324	2,829,806	3,127,521	(19,213,997)	0	(19,213,997)
Business-type activities:						
Instruction:						
Other instruction:						
Swimming pool services	20,479	22,398	0	0	1,919	1,919
Support services:						
Transportation services:						
Day care services	953	0	0	0	(953)	(953)
Non-instructional programs:						
Nutrition services	1,370,518	786,671	515,262	0	(68,585)	(68,585)
Day care services	173,759	186,686	0	0	12,927	12,927
	<u>1,565,709</u>	<u>995,755</u>	<u>515,262</u>	<u>0</u>	<u>(54,692)</u>	<u>(54,692)</u>
Total	\$ 26,737,033	3,825,561	3,642,783	(19,213,997)	(54,692)	(19,268,689)
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 7,214,396	0	7,214,396
Debt service				1,370,420	0	1,370,420
Capital outlay				543,401	0	543,401
Income surtax				569,502	0	569,502
Local option sales and services tax				2,008,610	0	2,008,610
Unrestricted state grants				9,267,375	0	9,267,375
Unrestricted investment earnings				611,466	21,118	632,584
Other general revenues				201,842	0	201,842
Transfers				(1,686)	0	(1,686)
Total general revenues and transfers				<u>21,785,326</u>	<u>21,118</u>	<u>21,806,444</u>
Changes in net assets				2,571,329	(33,574)	2,537,755
Net assets beginning of year				11,598,163	600,951	12,199,114
Net assets end of year				<u>\$ 14,169,492</u>	<u>567,377</u>	<u>14,736,869</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS						
Cash and pooled investments	\$ 2,801,260	1,139,450	3,952,060	1,269,409	207,618	9,369,797
Receivables:						
Property tax:						
Succeeding year	7,143,125	574,469	0	1,360,204	471,000	9,548,798
Income surtax	514,689	0	0	0	0	514,689
Interfund	0	77,033	0	0	0	77,033
Due from other governments	268,862	0	149,826	0	0	418,688
Prepaid items	0	0	0	0	27,744	27,744
TOTAL ASSETS	\$ 10,727,936	1,790,952	4,101,886	2,629,613	706,362	19,956,749
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ 77,033	0	0	0	0	77,033
Accounts payable	485,218	0	297,465	0	1,948	784,631
Deferred revenue:						
Succeeding year property tax	7,143,125	574,469	0	1,360,204	471,000	9,548,798
Income surtax	514,689	0	0	0	0	514,689
Total liabilities	8,220,065	574,469	297,465	1,360,204	472,948	10,925,151
Fund balances:						
Reserved for:						
Debt service	0	0	0	1,269,409	0	1,269,409
Capital facility construction	0	0	3,653,347	0	0	3,653,347
Talented and gifted	23,127	0	0	0	0	23,127
Salary improvement program	3,349	0	0	0	0	3,349
Additional teacher contract day	2,760	0	0	0	0	2,760
Additional salary, professional development	28,153	0	0	0	0	28,153
Market factor	17,294	0	0	0	0	17,294
Early intervention	48,219	0	0	0	0	48,219
Prepaid items	0	0	0	0	27,744	27,744
Unreserved fund balances	2,384,969	1,216,483	151,074	0	205,670	3,958,196
Total fund balances	2,507,871	1,216,483	3,804,421	1,269,409	233,414	9,031,598
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,727,936	1,790,952	4,101,886	2,629,613	706,362	19,956,749

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds(page 16)	\$ 9,031,598
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	28,071,696
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(125,233)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	514,689
Long-term liabilities, including bonds payable, school bus lease payable, early retirement payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(23,323,258)</u>
Net assets of governmental activites(page 14)	<u>\$ 14,169,492</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 6,991,771	543,401	2,008,610	1,370,420	502,011	11,416,213
Tuition	2,302,170	0	0	0	0	2,302,170
Other	450,534	0	331,877	51,691	586,875	1,420,977
Intermediate sources	239,875	0	0	0	0	239,875
State sources	11,332,325	293	0	739	276	11,333,633
Federal sources	740,545	0	0	0	0	740,545
Total revenues	22,057,220	543,694	2,340,487	1,422,850	1,089,162	27,453,413
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	10,249,661	0	0	0	117,183	10,366,844
Special instruction	2,635,120	0	0	0	0	2,635,120
Other instruction	1,917,825	0	0	0	568,785	2,486,610
	14,802,606	0	0	0	685,968	15,488,574
Support services:						
Student services	486,726	0	0	0	0	486,726
Instructional staff services	1,023,152	0	0	0	0	1,023,152
Administration services	1,709,848	0	0	1,400	6,720	1,717,968
Operation and maintenance of plant services	2,552,804	0	0	0	188,651	2,741,455
Transportation services	747,703	0	0	0	54,486	802,189
	6,520,233	0	0	1,400	249,857	6,771,490
Other expenditures:						
Facilities acquisitions	0	148,674	4,725,598	0	0	4,874,272
Long-term debt:						
Principal	0	0	0	2,385,183	0	2,385,183
Interest and fiscal charges	0	0	0	1,044,697	0	1,044,697
AEA flowthrough	801,445	0	0	0	0	801,445
	801,445	148,674	4,725,598	3,429,880	0	9,105,597
Total expenditures	22,124,284	148,674	4,725,598	3,431,280	935,825	31,365,661
Excess(deficiency) of revenues over(under) expenditures	(67,064)	395,020	(2,385,111)	(2,008,430)	153,337	(3,912,248)
Other financing sources(uses):						
Sale of property	250	560	0	0	0	810
Transfers in	0	0	0	2,065,077	0	2,065,077
Transfers out	(77,033)	(125,956)	(1,862,088)	0	(1,686)	(2,066,763)
Total other financing sources(uses)	(76,783)	(125,396)	(1,862,088)	2,065,077	(1,686)	(876)
Net change in fund balances	(143,847)	269,624	(4,247,199)	56,647	151,651	(3,913,124)
Fund balances beginning of year	2,651,718	946,859	8,051,620	1,212,762	81,763	12,944,722
Fund balances end of year	\$ 2,507,871	1,216,483	3,804,421	1,269,409	233,414	9,031,598

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds(page 18) \$ (3,913,124)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 4,742,205	
Depreciation expense	<u>(989,458)</u>	3,752,747

Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	2,385,183
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	53,327
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	290,116
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 14,178	
Compensated absences	<u>(11,098)</u>	3,080

Changes in net assets of governmental activities(page 15) \$ 2,571,329

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
<u>ASSETS</u>				
Current assets:				
Cash and pooled investments	\$ 114,814	118,068	7,725	240,607
Receivables:				
Accounts	0	2,348	0	2,348
Inventories	26,117	0	0	26,117
Total current assets	140,931	120,416	7,725	269,072
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation(Note 5)	342,431	0	0	342,431
Total non-current assets	342,431	0	0	342,431
TOTAL ASSETS	483,362	120,416	7,725	611,503
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	442	34	0	476
Salaries and benefits payable	3,349	21,223	6,026	30,598
Unearned revenue	13,052	0	0	13,052
Total current liabilities	16,843	21,257	6,026	44,126
TOTAL LIABILITIES	16,843	21,257	6,026	44,126
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	342,431	0	0	342,431
Unrestricted	124,088	99,159	1,699	224,946
Total net assets	\$ 466,519	99,159	1,699	567,377

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 786,671	186,686	22,398	995,755
OPERATING EXPENSES:				
Instruction:				
Other instruction:				
Salaries	0	0	17,190	17,190
Benefits	0	0	648	648
Supplies	0	0	2,641	2,641
Support services:				
Transportation				
Salaries	0	840	0	840
Benefits	0	113	0	113
Non-instructional programs:				
Salaries	472,408	125,060	0	597,468
Benefits	133,851	20,179	0	154,030
Services	19,121	6,999	0	26,120
Supplies	691,759	21,521	0	713,280
Depreciation	53,379	0	0	53,379
TOTAL OPERATING EXPENSES	1,370,518	174,712	20,479	1,565,709
OPERATING INCOME(LOSS)	(583,847)	11,974	1,919	(569,954)
NON-OPERATING REVENUES				
State sources	12,722	0	0	12,722
Federal sources	502,540	0	0	502,540
Interest on investments	14,556	6,562	0	21,118
TOTAL NON-OPERATING REVENUES	529,818	6,562	0	536,380
Changes in net assets	(54,029)	18,536	1,919	(33,574)
Net assets beginning of year	520,548	80,623	(220)	600,951
Net assets end of year	\$ 466,519	99,159	1,699	567,377

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2007

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 769,051	0	0	769,051
Cash received from miscellaneous sources	18,486	184,338	23,726	226,550
Cash payments to employees for services	(609,203)	(141,740)	(17,333)	(768,276)
Cash payments to suppliers for goods or services	(662,534)	(28,486)	(2,641)	(693,661)
Net cash provided by(used in) operating activities	(484,200)	14,112	3,752	(466,336)
Cash flows from non-capital financing activities:				
State grants received	12,722	0	0	12,722
Federal grants received	454,046	0	0	454,046
Net cash provided by non-capital financing activities	466,768	0	0	466,768
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(6,326)	0	0	(6,326)
Net cash used in capital and related financing activities	(6,326)	0	0	(6,326)
Cash flows from investing activities:				
Interest on investments	14,556	6,562	0	21,118
Net cash provided by investing activities	14,556	6,562	0	21,118
Net increase(decrease) in cash and cash equivalents	(9,202)	20,674	3,752	15,224
Cash and cash equivalents at beginning of year	124,016	97,394	3,973	225,383
Cash and cash equivalents at end of year	\$ 114,814	118,068	7,725	240,607
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (583,847)	11,974	1,919	(569,954)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities used	48,494	0	0	48,494
Depreciation	53,379	0	0	53,379
Increase in inventories	(413)	0	0	(413)
(Increase)Decrease in accounts receivable	0	(2,348)	1,328	(1,020)
Increase in accounts payable	265	34	0	299
Increase(Decrease) in salaries and benefits payable	(2,944)	4,452	505	2,013
Increase in unearned revenue	866	0	0	866
Net cash provided by(used in) operating activities	\$ (484,200)	14,112	3,752	(466,336)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and investments	\$ 114,814	118,068	7,725	240,607

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$48,494.

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	Private Purpose Trust Scholarship Fund	Agency Fund
ASSETS		
Cash and pooled investments	\$ 1,386	4,743
Total assets	<u>1,386</u>	<u>4,743</u>
LIABILITIES		
Due to other groups	0	4,743
Total liabilities	<u>0</u>	<u>4,743</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 1,386</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship Fund
Additions:	
Local sources:	
Gifts and contributions	\$ 1,700
Total additions	<u>1,700</u>
Deletions:	
Regular instruction:	
Scholarships awarded	<u>2,000</u>
Total deletions	<u>2,000</u>
Change in net assets before other financing sources	(300)
Other financing sources:	
Transfer in	<u>1,686</u>
Change in net assets	1,386
Net assets beginning of year	<u>0</u>
Net assets end of year	<u><u>\$ 1,386</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

Note 1. Summary of Significant Accounting Policies

The Lewis Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Council Bluffs, Iowa, and the predominate agricultural territory in Pottawattamie County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lewis Central Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Lewis Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding principal balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is utilized to account for building improvements and equipment purchases.

The Capital Projects Fund is utilized to account for local option sales and services tax and capital improvements.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District also reports the following major and nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund, Lucky Children Day Care and Swimming Pool Funds. The School Nutrition Fund is a major fund used to account for the food service operations of the District. The Lucky Children Day Care Fund is a nonmajor fund used to account for the day care services of the District. The Swimming Pool Fund is a nonmajor fund used to account for the swimming pool services of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before October 12, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Cash, Pooled Investments and Cash Equivalents

The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purpose of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

E. Property Taxes

Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

F. Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

G. Inventories

The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

H. Prepaid Items

The District prepaid insurance expense for July 2007 from the Special Revenue, Management Levy.

I. Capital Assets

Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings and improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20-50 years
Machinery and equipment	5-12 years

J. Salaries and Benefits Payable

Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2007, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2007.

K. Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal grant proceeds, succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

L. Unearned Revenues

Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

M. Compensated Absences

District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. The cost of vacation payments expected to be liquidated currently is recorded as a liability in the government-wide statement of net assets. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007.

N. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

O. Fund Balances

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

P. Restricted Net Assets

In the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Q. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the other expenditures functional area exceeded the amount budgeted.

Note 2. Deposits and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 3,950,812</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There is no material difference from fair value.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Interfund Receivables and Payables

The detail of interfund receives and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Physical Plant and Equipment Levy	General	<u>\$ 77,033</u>

The General Fund is repaying a bus lease payment that was improperly recorded in the Physical Plant and Equipment Levy Fund. The balance will be repaid by June 30, 2008.

Note 4. Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 77,033
Debt Service	Special Revenue: Physical Plant and Equipment Levy	125,956
Private Purpose Trust - Scholarship	Expendable Trust	1,686
Debt Service	Capital Projects	<u>1,862,088</u>
Total		<u><u>\$ 2,066,763</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Capital Assets

A summary of changes in property and equipment comprising capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 500,000	0	0	500,000
Construction in progress	557,738	4,725,598	1,008,323	4,275,013
Total capital assets not being depreciated	<u>1,057,738</u>	<u>4,725,598</u>	<u>1,008,323</u>	<u>4,775,013</u>
Capital assets being depreciated:				
Buildings and improvements	37,273,677	1,008,323	0	38,282,000
Machinery and equipment	3,197,344	16,607	39,054	3,174,897
Total capital assets being depreciated	<u>40,471,021</u>	<u>1,024,930</u>	<u>39,054</u>	<u>41,456,897</u>
Less accumulated depreciation for:				
Buildings and improvements	14,824,373	757,640	0	15,582,013
Machinery and equipment	2,385,437	231,818	39,054	2,578,201
Total accumulated depreciation	<u>17,209,810</u>	<u>989,458</u>	<u>39,054</u>	<u>18,160,214</u>
Total capital assets being depreciated, net	<u>23,261,211</u>	<u>35,472</u>	<u>0</u>	<u>23,296,683</u>
Governmental activities capital assets, net	<u><u>\$ 24,318,949</u></u>	<u><u>4,761,070</u></u>	<u><u>1,008,323</u></u>	<u><u>28,071,696</u></u>
Business-type activities:				
Machinery and equipment	\$ 767,051	6,326	840	772,537
Less accumulated depreciation	377,567	53,239	700	430,106
Business-type activities capital assets, net	<u><u>\$ 389,484</u></u>	<u><u>(46,913)</u></u>	<u><u>140</u></u>	<u><u>342,431</u></u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$	9,223
Other		859

Support services:

Instructional staff		9,816
Administration		35,352
Operation and maintenance of plant		2,769
Transportation		173,799
		<u>231,818</u>

Unallocated depreciation		<u>757,640</u>
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Total governmental activities depreciation expense	\$	<u>989,458</u>
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Business-type activities:

Food services	\$	<u>53,239</u>
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Note 6. Long-Term Debt

All Long-Term Debt listed is related to governmental activities. A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 15,110,000	\$ 0	\$ 760,000	\$ 14,350,000	\$ 785,000
Revenue Bonds	9,899,220	0	1,448,097	8,451,123	1,514,321
School Bus Lease	558,858	0	177,086	381,772	120,524
Compensated Absences	103,882	114,980	103,882	114,980	114,980
Early Retirement	39,561	30,766	44,944	25,383	25,383
Total	<u>\$ 25,711,521</u>	<u>\$ 145,746</u>	<u>\$ 2,534,009</u>	<u>\$ 23,323,258</u>	<u>\$ 2,560,208</u>

Bonded Debt

On October 21, 1998, the District issued general obligation bonds of \$10,000,000 for capital facility construction. On October 1, 2005, the District issued general obligation bonds of \$5,820,000 to advance refund the May 1, 1999 and May 1, 2001 which were issued for capital facility construction. Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year	Bond Issue of October 21, 1998			Bond Issue of October 1, 2005			Total	
Ending June 30,	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2008	4.00 %	\$ 630,000	373,046	3.50 %	\$ 155,000	202,158	785,000	575,204
2009	4.00	660,000	347,846	3.50	160,000	196,732	820,000	544,578
2010	4.00	700,000	321,446	3.50	145,000	191,132	845,000	512,578
2011	4.05	730,000	293,446	3.50	150,000	186,058	880,000	479,504
2012	4.10	770,000	263,880	3.50	145,000	180,807	915,000	444,687
2013-2017	4.15-4.25	4,455,000	806,062	3.50-3.80	715,000	826,146	5,170,000	1,632,208
2018-2021	4.25	1,040,000	44,200	3.80-3.85	3,895,000	442,052	4,935,000	486,252
Total		<u>\$ 8,985,000</u>	<u>2,449,926</u>		<u>\$ 5,365,000</u>	<u>2,225,085</u>	<u>\$ 14,350,000</u>	<u>4,675,011</u>

On May 3, 2006, the District issued local option sales and service tax revenue bonds of \$10,000,000 for school infrastructure and repayment of a local line of credit which was used for construction. Details of the District's June 30, 2007 local option sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 3, 2006		
	Interest Rate	Principal	Interest
2008	4.48	% \$ 1,514,321	347,767
2009	4.48	1,583,573	278,515
2010	4.48	1,655,992	206,096
2011	4.48	1,731,723	130,365
2012	4.48	1,810,917	51,171
2013	4.48	154,597	577
Total		\$ 8,451,123	1,014,491

The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- Principal and interest payments are required each month from the Local Option Sales and Service Tax revenues.
- A separate bond reserve fund will be maintained in the amount of \$1,000,000 to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Local Option Sales and Services Tax Reserve Fund.

School Bus Lease

During the year ended June 30, 2004 and June 30, 2006, the District entered in to lease agreements with Blue Bird Body Company. The Special Revenue, Physical Plant and Equipment Levy Fund will be used to liquidate the 2004 bus lease liability. The General and Special Revenue, Physical Plant and Equipment Levy Fund will be used to liquidate the 2007 bus lease liability. The details of the repayment of these leases are as follows:

Year Ending June 30,	June 30, 2004				June 30, 2006				Total	
	Interest Rate	Principal	Interest		Interest Rate	Principal	Interest		Principal	Interest
2008	4.35	% \$ 60,464	5,374		4.83	% \$ 60,060	12,472		\$ 120,524	17,846
2009	4.35	63,095	2,744		4.83	62,961	9,571		126,056	12,315
2010	4.35	-	-		4.83	66,002	6,530		66,002	6,530
2011	4.35	-	-		4.83	69,190	3,342		69,190	3,342
		\$ 123,559	8,118			\$ 258,213	31,915		\$ 381,772	40,033

Early Retirement

The District offers a voluntary early retirement plan to its certified employees at various times. Eligible employees must be at least age fifty-three and employees must have completed twenty-five years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2007 totaled \$44,944. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the government-wide financial statements representing the District's commitment to fund early retirement. All early retirement benefits are paid out of the Special Revenue, Management Fund.

Note 7. Bond Defeasement

On October 1, 2005, the District issued \$5,820,000 in general obligation bonds to advance refund \$2,620,000 and \$3,020,000 of outstanding general obligation bonds dated May 1, 1999 and May 1, 2001, respectively. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2007, \$5,365,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$160,000 and \$207,758.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$776,193, \$710,612, and \$664,022 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Lewis Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$801,445 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District entered into various contracts totaling \$4,734,882 for an addition/re-roof project at Titan Hill School, a roof project at the Middle School and renovations at Kreft Elementary School. At June

30, 2007, \$4,275,013 of the contracts was completed. The remaining amounts of the contracts will be paid as work on the project progresses.

Note 12. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types - Actual	Proprietary Fund Types - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 15,139,360	\$ 1,016,873	\$ 16,156,233	\$ 15,956,824	\$ 15,956,824	\$ 199,409
Intermediate sources	239,875	0	239,875	73,000	73,000	166,875
State appropriations	11,333,633	12,722	11,346,355	11,960,184	11,960,184	(613,829)
Federal appropriations	740,545	502,540	1,243,085	1,185,493	1,185,493	57,592
Total revenues	27,453,413	1,532,135	28,985,548	29,175,501	29,175,501	(189,953)
Expenditures:						
Instruction	15,488,574	20,479	15,509,053	15,048,320	16,000,000	490,947
Support services	6,771,490	953	6,772,443	5,360,196	7,200,000	427,557
Non-instructional programs	0	1,544,277	1,544,277	1,652,946	1,650,000	105,723
Other expenditures	9,105,597	0	9,105,597	4,820,512	6,900,000	(2,205,597)
Total expenditures	31,365,661	1,565,709	32,931,370	26,881,974	31,750,000	(1,181,370)
Excess(deficiency) of revenues over(under) expenditures	(3,912,248)	(33,574)	(3,945,822)	2,293,527	(2,574,499)	(1,371,323)
Other financing sources(uses), net	(876)	0	(876)	1,000	1,000	(1,876)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(3,913,124)	(33,574)	(3,946,698)	2,294,527	(2,573,499)	(1,373,199)
Balance beginning of year	12,944,722	600,951	13,545,673	6,151,011	6,151,011	7,394,662
Balance end of year	\$ 9,031,598	\$ 567,377	\$ 9,598,975	\$ 8,445,538	\$ 3,577,512	\$ 6,021,463

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as function, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$4,868,026.

During the year ended June 30, 2007, expenditures in the other expenditures functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 180,903	26,715	207,618
Receivables:			
Property tax:			
Succeeding year	471,000	0	471,000
Prepaid items	27,744	0	27,744
TOTAL ASSETS	\$ 679,647	26,715	706,362
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 0	1,948	1,948
Deferred revenue:			
Succeeding year property tax	471,000	0	471,000
Total liabilities	471,000	1,948	472,948
Fund balances:			
Reserved for prepaid items	27,744	0	27,744
Unreserved fund balances	180,903	24,767	205,670
Total fund balances	208,647	24,767	233,414
TOTAL LIABILITIES AND FUND BALANCES	\$ 679,647	26,715	706,362

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Expendable Trust	Total
REVENUES:				
Local sources:				
Local tax	\$ 502,011	0	0	502,011
Other	30,869	556,006	0	586,875
State sources	276	0	0	276
Total revenues	533,156	556,006	0	1,089,162
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	117,183	0	0	117,183
Other instruction	0	568,785	0	568,785
Support services:				
Administration services	6,720	0	0	6,720
Operation and maintenance of plant services	188,186	465	0	188,651
Student transportation	54,486	0	0	54,486
Total expenditures	366,575	569,250	0	935,825
Excess(deficiency) of revenues over(under) expenditures	166,581	(13,244)	0	153,337
OTHER FINANCING USES:				
Transfers out	0	0	(1,686)	(1,686)
Total other financing uses	0	0	(1,686)	(1,686)
Net change in fund balances	166,581	(13,244)	(1,686)	151,651
Fund balances beginning of year	42,066	38,011	1,686	81,763
Fund balances end of year	\$ 208,647	24,767	0	233,414

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
GENERAL ACTIVITIES	\$ 888	40,566	41,233	221
DRAMA	1,344	10,636	11,980	0
SPEECH	0	4,908	4,908	0
VOCAL MUSIC	458	49,004	43,288	6,174
BAND	6,159	83,901	88,226	1,834
BOYS/GIRLS CROSS COUNTY	0	3,402	3,402	0
BOYS BASKETBALL	0	16,492	17,544	(1,052)
FOOTBALL	(1,793)	32,278	30,485	0
BOYS SOCCER	0	4,765	4,765	0
BASEBALL	(3,992)	10,567	12,964	(6,389)
BOYS TRACK	0	6,535	6,535	0
BOYS TENNIS	0	531	531	0
BOYS GOLF	0	4,154	4,154	0
BOYS SWIM	0	3,939	3,939	0
WRESTLING	0	19,724	19,724	0
GIRLS BASKETBALL	0	15,222	15,222	0
VOLLEYBALL	0	17,768	17,768	0
GIRLS SOCCER	(699)	3,715	3,016	0
SOFTBALL	(1,305)	10,007	10,092	(1,390)
GIRLS TRACK	(378)	12,330	12,848	(896)
GIRLS TENNIS	0	1,274	1,274	0
GIRLS GOLF	0	1,884	1,884	0
GIRLS SWIM	0	5,474	5,474	0
FUTURE BUSINESS LEADERS	972	1,620	1,749	843
DRAMA CLUB	1,511	601	347	1,765
INDUSTRIAL ARTS CLUB	0	984	647	337
SPECIAL OLYMPICS	112	1,100	1,160	52
CLASS OF 2007	0	305	42	263
CLASS OF 2008	(192)	4,713	4,151	370
CLASS OF 2009	0	45	0	45
STUDENT COUNCIL	2,360	9,257	9,903	1,714
NATIONAL HONOR SOCIETY	150	1,228	1,192	186
CHEERLEADERS	3,749	23,530	26,953	326
DANCE TEAM	(7,968)	36,006	40,663	(12,625)
YEARBOOK	9,054	31,985	32,859	8,180
KREFT PRIMARY	3,967	10,489	14,083	373
TITAN HILL INTERMEDIATE	3,635	14,441	16,853	1,223
TITAN HILL STUDENT COUNCIL	298	1,915	1,193	1,020
HIGH SCHOOL STUDENTS	2,419	13,214	11,293	4,340
MS VOCAL	839	4,735	3,484	2,090
MS BAND	3,299	20,129	19,864	3,564
MS STUDENT COUNCIL	2,267	368	907	1,728
MS LEADERSHIP	1,694	7,583	8,862	415
MS YEARBOOK	3,205	3,029	2,578	3,656
MS STUDENTS	2,893	5,621	6,935	1,579
MS SCHOLASTICS	3,065	4,032	2,276	4,821
TOTAL	\$ 38,011	556,006	569,250	24,767

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>KREFT POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 1,128	539	1,200	467
LIABILITIES				
Due to other groups	\$ 1,128	539	1,200	467
<u>TITAN HILL TEACHERS</u>				
ASSETS				
Cash and pooled investments	\$ 2,641	1,036	1,649	2,028
LIABILITIES				
Due to other groups	\$ 2,641	1,036	1,649	2,028
<u>ADMINISTRATION POP</u>				
ASSETS				
Cash and pooled investments	\$ 505	371	622	254
LIABILITIES				
Due to other groups	\$ 505	371	622	254
<u>MS POP - TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 3,029	1,697	3,442	1,284
LIABILITIES				
Due to other groups	\$ 3,029	1,697	3,442	1,284
<u>HS POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 262	1,332	884	710
LIABILITIES				
Due to other groups	\$ 262	1,332	884	710
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 7,565	4,975	7,797	4,743
LIABILITIES				
Due to other groups	\$ 7,565	4,975	7,797	4,743

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 11,416,213	10,665,011	9,892,986	9,932,264
Tuition	2,302,170	1,938,746	1,667,730	1,548,902
Other	1,420,977	1,110,593	1,118,611	1,153,242
Intermediate sources	239,875	229,093	29,414	0
State sources	11,333,633	10,367,675	9,871,889	9,457,349
Federal sources	740,545	653,052	1,102,874	969,969
Total	<u>\$ 27,453,413</u>	<u>24,964,170</u>	<u>23,683,504</u>	<u>23,061,726</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 10,366,844	9,156,257	8,487,424	8,424,639
Special instruction	2,635,120	2,700,906	3,281,264	3,116,389
Other instruction	2,486,610	2,468,092	1,738,843	1,338,342
Support services:				
Student services	486,726	393,108	526,486	450,984
Instructional staff services	1,023,152	893,911	525,140	701,737
Administration services	1,717,968	1,580,310	1,516,607	1,352,365
Operation and maintenance of plant services	2,741,455	2,437,330	1,943,172	1,874,668
Transportation services	802,189	1,190,886	588,283	907,846
Other support services	0	0	84,200	74,274
Non-instructional programs	0	0	2,500	22,103
Other expenditures:				
Facilities acquisitions	4,874,272	673,836	1,486,759	4,447,789
Long-term debt:				
Principal	2,385,183	837,926	789,871	765,068
Interest and other charges	1,044,697	921,368	731,160	749,588
AEA flow-through	801,445	716,983	678,959	685,810
Total	<u>\$ 31,365,661</u>	<u>23,970,913</u>	<u>22,380,668</u>	<u>24,911,602</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 07	\$ 48,494
SCHOOL NUTRITION CLUSTER PROGRAMS:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	369,219
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	84,827
			<u>454,046</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3465-G	<u>227,177</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 06	6,809
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 07	4,878
			<u>11,687</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 06	802
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 07	89,866
			<u>90,668</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 06	5,368
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 07	19,607
			<u>24,975</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>20,822</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 07	<u>148,446</u>
TOTAL			<u>\$ 1,026,315</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lewis Central Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Lewis Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lewis Central Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 2, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lewis Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Lewis Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lewis Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lewis Central Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Lewis Central Community School District's financial statements that is more than inconsequential will not be prevented or detected by Lewis Central Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Members American Institute & Iowa Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewis Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Lewis Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Lewis Central Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lewis Central Community School District and other parties to whom Lewis Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lewis Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 2, 2008

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Lewis Central Community School District

Compliance

We have audited the compliance of Lewis Central Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Lewis Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lewis Central Community School District's management. Our responsibility is to express an opinion on Lewis Central Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lewis Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lewis Central Community School District's compliance with those requirements.

In our opinion, Lewis Central Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Lewis Central Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Lewis Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lewis Central Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lewis Central Community School District and other parties to whom Lewis Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

January 2, 2008

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lewis Central Community School District qualified as a low-risk auditee.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. More specifically, industrial arts supplies should more appropriately be expended from the General Fund. In addition, it would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund and establish procedures to ensure only appropriate expenditures are made form the Student Activity Fund. The industrial arts club account should be closed and handled in the General Fund.

Response - The industrial arts club has been succeeded by sponsored organization titled Skills USA. The \$337 fund balance in the industrial arts club will be transferred to the Skills USA fund.

Conclusion - Response accepted.

II-B-07 Supporting Documents for Payments to Official - We noted during our audit a substitute official did not have a signed contract serving as proper support documentation for payment.

Recommendation - A copy of the contract made for each official should be used as the support for payment. The Central Office needs to maintain copies of supporting signed contracts for officials, including substitutes. The District should review procedures in place to ensure proper support documentation is maintained.

Response - The District will exercise additional care to ensure contracts are retained.

Conclusion - Response accepted.

II-C-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-

certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The District will initiate tracking of hours worked by non-certified coaching staff effective January 1, 2008.

Conclusion - Response accepted.

II-D-07 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements of all funds to the general ledger on a timely basis. We also noted a significant amount of inter-account transfers that were not completed.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis on a timely basis.

Response - The District will perform monthly bank reconciliations for all accounts on a timely basis.

Conclusion - Response accepted.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No reportable conditions were reported.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - District expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the other expenditures functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - District staff will make more concerted efforts to fully comply in this area.

Conclusion - Response accepted.

IV-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were open enrolled out was understated by 2.1 students. The number of students which were open enrolled in was understated by 4 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.